

# Sindor Inc.

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DIVISION OF  
OIL, GAS & MINING

July 12, 1990

Mr. Holland Shepard  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Re: Lisbon Valley Ground Water Quality

Dear Mr. Shepard:

This letter is being sent to you to follow up on our meeting with you and Mr. Tony Gallegos July 3, 1990. At that meeting, Mr. Brian Buck and myself described our preliminary findings regarding the ground water quality at our Lisbon Valley Project. We discussed water quality data that had been obtained from sampling of two water wells in the vicinity of the Centennial open pit as well as water that accumulated in the bottom of the pit itself. These data showed that the water contained levels of dissolved constituents, particularly dissolved cadmium, that were significantly above the State drinking water standards.

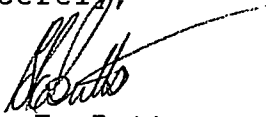
The concentrations of cadmium were high enough to potentially have adverse effects on wildlife; however, our preliminary literature search indicated that the hardness of the water may significantly reduce the potential ill effects of the cadmium on terrestrial wildlife species. This is a concern to us because our mining operations in the Centennial Pit may extend below the local water table, presenting the potential that the final pit may be abandoned with a lake in its bottom which would likely have the same water quality as the ground water samples.

We were unclear regarding the potential regulatory issues under the Division's authority, specifically, how the Division would regulate the potential lake in the bottom of the final pit in light of these recent data. It was your advice that we conduct studies as necessary to determine if the poor ground water quality was natural or due to past impacts of mining or mineral processing. You also indicated that we should attempt to determine, through additional literature studies, the certainty of the mitigating effect of hardness on the toxicity of the cadmium. If these studies indicate that the water quality is natural and that there is sufficient proof for the mitigation of the cadmium toxicity through the hardness effects, the Division would allow the abandonment of the pit with a lake having the subject water quality.

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We appreciate your assistance in clarifying this matter and will contact your office when we have our ground water study plans ready so that you may comment on them. If we have incorrectly summarized your recommendations in this letter, please contact us with any clarifications you may want to make. Otherwise, we will proceed according to our understanding as described above.

Sincerely,

A handwritten signature in dark ink, appearing to read 'G. Butts', with a long, sweeping horizontal line extending to the right.

Gary E. Butts  
Vice President

cc: B. Buck, JBR Consultants